

**COMMITTEE ON FOREIGN AFFAIRS
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**STATEMENT OF
THE HONORABLE ENI F.H. FALEOMAVAEGA
CHAIRMAN**

**before the
SUBCOMMITTEE ON ASIA, THE PACIFIC AND THE
GLOBAL ENVIRONMENT**

**U.S.-China Relations: Maximizing the Effectiveness of the Strategic and
Economic Dialogue**

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At a bilateral meeting on the sidelines of the G-20 Financial Summit in London on April 1, 2009, President Obama and Chinese President Hu agreed that the United States and China would “work together to build a positive, cooperative and comprehensive U.S.-China relationship for the 21st century.”

Central to building that relationship would be the U.S.-China Strategic and Economic Dialogue, or S&ED, composed of a Strategic Track led by Secretary of State Hillary Clinton and Chinese State Councillor Dai Bingguo, and an Economic Track led by Secretary of the Treasury Timothy Geithner and Chinese Vice Premier Wang Qishan. S&ED would aim to deepen mutually beneficial cooperation on a range of bilateral, regional and global matters, from economics, trade and the global financial system to law enforcement, science and technology, education, culture and health.

In addition, S&ED would bring together senior officials to work cooperatively in settling conflicts and reducing tensions contributing to regional and global instability, including the nuclear programs of North Korea and Iran, the problems in Afghanistan and Pakistan, and humanitarian issues in other parts of the world.

Finally, Presidents Obama and Hu agreed that the new Dialogue would intensify cooperation on energy, the environment and climate change, with a specific focus on energy efficiency, renewable and clean energy technologies, and the achievement of a successful international climate change agreement.

The broad scope of topics to be covered by the S&ED was to be matched by a wide breadth of participation across governmental agencies. The S&ED was thus an expansion of the Strategic Economic Dialogue initiated by the previous Administration

and organized under the Treasury, which had focused primarily on economic and environmental matters. The S&ED would also provide a comprehensive framework for the more than 50 ongoing U.S.-China governmental dialogues and working groups that covered issues ranging from aviation and non-proliferation to food safety.

The first round of the S&ED was held on July 27-28, 2009 in Washington and included senior officials from the State Department, Treasury, the White House and twelve other departments and agencies of the U.S. government, as well as senior counterparts from fifteen Chinese government entities.

President Obama opened the meeting by noting that, "The relationship between the United States and China will shape the 21st century, which makes it as important as any bilateral relationship in the world."

The Chinese clearly view the initial meeting of the S&ED as a great success. In meetings I participated in last month in Beijing with a number of senior Chinese officials, all gave very positive assessments of the first Dialogue. Wang Qishan, Vice Premier and Chair of the Economic Track for China, said the meeting allowed the two sides to better define further steps they needed to take in responding to the global financial crisis. He called it a "huge success." Wu Bangguo, Chairman of the Standing Committee of the National People's Congress, noted the unprecedented depth, scope and representation on the two sides, and said that the positive work at the first S&ED would allow China and the United States to move forward more effectively on a range of issues.

Secretary Clinton also pointed to a number of positive developments resulting from the S&ED. In her closing remarks at the Dialogue, she noted that United States and China agreed to "promote stability in Northeast Asia, resume the Six-Party Talks, and implement UN Security Resolution 1874, to address ongoing threats of violent extremism and nuclear proliferation, to encourage Iran to live up to its international obligations, and to work toward peace and stability in Afghanistan, Pakistan and the Middle East."

She also stated that as a result of the S&ED, bilateral talks on counterterrorism would be held, military-to-military relations would be expanded and progress was made on a global nuclear security summit that President Obama plans to convene early next year. In addition, the two countries signed a "Memorandum of Understanding to Enhance Cooperation on Climate Change, Energy and the Environment," which commits both sides to achieving a successful international climate change agreement, cooperating on adaptation strategies, and developing practical solutions for both countries' transitions to low-carbon economies.

On the Economic Track, Secretary Geithner announced agreement on a framework for cooperation on macroeconomic and structural policies designed to ensure more balanced and sustainable global growth, the building of more resilient financial and regulatory systems, a reaffirmation of the two countries' commitment to an open and rules-based trade and investment regime, and a pledge to work together in ensuring that

international financial institutions are provided the necessary tools and resources to respond adequately to international financial challenges.

Beyond the issues themselves, as the Congressional Research Service has noted, the S&ED, “is one of the few venues in which PRC ministers interact... with each other across departmental jurisdictions,” which is a major benefit as China’s “government bureaucracies traditionally have been ‘stove-piped’ with little inter-departmental interaction or coordination.” The interdepartmental nature of S&ED is important as China’s own policymaking process has become more complicated now that the bureaucracy does not speak with a single voice, and the government must take some account of the views of the media and public.

Clearly, the Strategic and Economic Dialogue covers an impressive array of issues and challenges, and it now stands at the very center of the bilateral relationship. After all, the United States and China are more dependent upon one another than ever before as trade, investment and mutual exchange have skyrocketed since normalization 30 years ago.

The United States is now the world’s largest economy while China will soon be second. We are the world’s two biggest trading nations and the two leading emitters of greenhouse gases. China is the top surplus country while the United States, unfortunately, is the largest deficit country. We thus represent the opposite sides of the global imbalances that contributed significantly to the worst financial crisis in generations.

While our two countries may have differences – including a pending dispute over tire imports from China – I believe that Washington and Beijing share interests on most of the important regional and global issues. More to the point, there is no major problem in the world that can be addressed adequately without bilateral cooperation, whether it be achieving lasting economic recovery and financial stability, overcoming the existential threat of climate change and achieving a clean and secure energy future.

These are the problems we must address cooperatively. Fortunately, the bilateral relationship is today in excellent shape. And in my view, the first meeting of the S&ED has laid the groundwork for the sort of positive, cooperative and comprehensive relationship both sides seek, and from which both countries – as well as the region and the whole world – will benefit.

Maintaining open channels of dialogue between the United States and China, which the S&ED does, is essential. At the same time, since the S&ED covers such a vast range of topics, and involves so many government agencies, unless the process is well managed, it may fail to achieve its promise. The purpose of today’s hearing is to review the results of first meeting of the S&ED, and to examine how the Dialogue can best achieve its worthy goals on the many issues it covers.